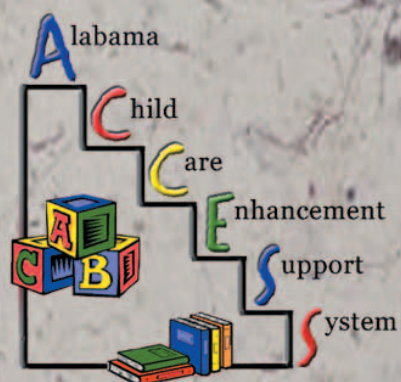




Alabama Child Care

2007

Market Rate Survey



Alabama Child Care Market Rate Survey: 2007

**Prepared by the Centers for Demographic Research
and Government and Public Affairs
Office of University Outreach
Auburn University Montgomery**

**For
Office of Child Care Subsidy
Child Care Services Division
Alabama Department of Human Resources**



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Executive Summary

The following report presents the results from the 2007 Market Rate Survey of Child Care Costs in Alabama. This survey was conducted by the Office of Child Care Subsidy (located within the Child Care Services Division, Alabama Department of Human Resources) using a one-page questionnaire that was mailed to all known providers of child care services in Alabama during May and June, 2007. The Centers for Demographic Research and Government and Public Affairs (Auburn University Montgomery) were responsible for the compilation of the data, data analysis, and report preparation. Of the 3,417 market survey forms that were mailed, 1,437 (or 42.1 percent) were returned. Completed surveys were received from child care providers in all 67 Alabama counties and from all nine of the child care management regions that are administered by the Office of Child Care Subsidy. Seventy-five percent of the returned questionnaires were from “day care centers,” 16 percent from “family day care homes,” and 9.5 percent from “group day care homes.” Sixty-seven percent of those responding represented licensed facilities, with the remaining 33 percent from “exempt” providers. Of the 1,437 providers that responded, 1,165 provided child care services to children under 2½ years of age, 1,250 to children aged 2½-5 years, and 1,024 to children of school age.

According to the survey, the average weekly cost for full-time care for children under 2½ years of age (all child care facilities combined) is \$98. The average weekly cost is \$91 for children aged 2½-5 years, with the amount dropping to \$86 for children of school age. While there is basically no difference in average weekly rates, irrespective of age category, for licensed versus exempt child care facilities, child care costs vary significantly according to the type of facility, the child care management region in which the facility is located, and whether the facility is located in a rural or urban county. Thus, average weekly full-time costs for child care (again irrespective of age category) are highest in day care centers, intermediate in family day care homes, and lowest in group day care homes. Likewise, average weekly rates are perceptively higher for all age categories in the Huntsville, Mobile, Birmingham, and Montgomery child care management regions than in the Opelika, Dothan, Ft. Payne, Tuscaloosa, and Talladega regions. Finally, average weekly rates are higher for all age groups of children in the state’s urban counties than in its rural counterparts.

An examination of current DHR reimbursement rates for families receiving child care subsidies vis-à-vis the market rate data generated by the survey reveals that DHR rates (effective 10/1/2007) are currently within \$15 or less of the market rate average for all age groups of child and all categories of providers (i.e., day care centers, family day care homes, and group day care homes) across all nine of the state’s child care management regions.

Highlights

- Average weekly child care costs for full-time enrollees in Alabama’s child care facilities vary from \$98 for children under 2½ years of age, to \$91 for children aged 2½-5 years, to \$86 for children of school age. Thus, child care costs decline with the age of the child, with weekly costs for children of school age only about 88 percent of those for children under 2½ years of age.
- Irrespective of the age category of the child, average weekly child care costs are basically the same whether the facility is “licensed” or “exempt.”
- Child care costs in Alabama vary significantly according to the type of provider, with average weekly costs (regardless of the age category of the child) highest for day care centers and lowest for group day care homes. Family day care homes, on average, charge more than group day care homes, but somewhat less than day care centers.
- Weekly child care costs for full-time care are noticeably higher in facilities located within the educational sector (public and private schools, universities, etc.) than in either for-profit centers or church-affiliated day care centers.
- Average weekly child care costs are perceptively higher in the Huntsville, Mobile, Birmingham, and Montgomery child care management regions than in the Opelika, Dothan, Ft. Payne, Tuscaloosa, and Talladega regions. This pattern holds for all age categories of children.
- Within the nine child care management regions, child care costs typically are highest in the Birmingham region and lowest in the Talladega region.
- The average cost of child care is significantly lower for all age categories of children in “rural counties” (wherein less than half of the population is classified as “urban” by the Census Bureau) than in “urban counties” (50 percent or more of the population is classified as “urban”). The rural-urban differential for full-time weekly care for all facilities combined ranges from \$21 for children under 2½ years of age to \$17 for children aged 2½-5 years to \$13 for children of school age.
- Full-time weekly child care costs are lower for all age groups of children in family and group day care homes (both categories combined) than in all other licensed child care facilities.
- The average weekly cost for full-time child care is only slightly higher (i.e., ranging from \$6-\$7, depending on the age group) for licensed day care centers than for exempt churches.
- DHR subsidies for child care costs (effective 10/1/2007) are within \$15 or less of the average market rate for all age groups of children and for all categories of providers (day care centers, family day care homes, and group day care homes) in all nine of the state’s child care management areas.

I. Introduction

The arrival of a new child into a family culminates months of anticipation and is typically accompanied by much excitement and celebration. The euphoria surrounding the birth of the child, however, is soon tempered by the everyday adjustments and accommodations that must be made in the lives of the parents and their families. These include new patterns of interaction within the family unit, the learning of new roles and responsibilities, a variety of changes in the daily routine, and additional strains on the family budget. Most parents also will be confronted with a basic decision quite early in the child-rearing process: where to find quality day care at an affordable price.

Just a couple of generations ago, “child care” was not the issue that it is today. Our grandmothers were expected to stay at home following the birth of their children and to continue to nurture them until they reached adulthood. The economic necessities of modern life have increased to the point, however, that most mothers no longer feel they can remain in the home and devote their lives completely to the rearing of children. As a consequence, more and more women are either returning to work or taking jobs for the first time after the birth of their children. According to the 2000 census, 63 percent of the mothers with children under six in Alabama were members of the labor force, a percentage that is likely to continue to increase over time.

As more and more mothers have entered the workforce over the last half-century, the number and variety of child care settings has grown exponentially. Although the growth of two-income households has pushed family incomes higher, the high cost-of-living in American society causes most parents to carefully consider the options when contemplating child care providers. In many Alabama communities, child care choices are limited and the problem of obtaining good care at an affordable price remains a vexing concern.

Finding quality, affordable child care is an especially great challenge for the state’s low-income families, which constitute a significant percentage of the Alabama population. Most of these low-income families could not afford child care outside the home without the subsidies that are provided through the Alabama Department of Human Resources, Office of Child Care Subsidy (or “OCCS”). The OCCS is responsible for directing and approving the development, implementation and administration of all services authorized under the Child Care Subsidy Program in the State of Alabama. Funding for the program is provided through the Department of Health and Human Services, Administration for Children and Families and state funds. The mission of the program is to provide Alabama’s low-income families with equal access to affordable and quality child care services as they participate in work, education, and/or training activities.

The Child Care Subsidy Program is administered by six child care management agencies operating in nine Alabama regions. Each region serves from 5 to 12 counties. In August 2007, the program provided assistance with child care to 34,663 children (18,048 families). The number of children served increased significantly in FY2007 with the addition of 5,700 children from the Subsidy Program waiting list. While the resources available through OCCS are limited, its goal is to provide as much support as possible to the state’s economically disadvantaged families. Without this support, many parents (including a substantial number of single mothers) would not be able to work, to support their families, and to make quality contributions to the state’s economy.

In an effort to insure that quality care remains within the reach of families receiving child-care subsidies, the Child Care Bureau within the Administration for Children and Families, U.S. Department of Health and Human Services, periodically requires OCCS to conduct market rate surveys of child care costs across the state. Prior to the present survey (conducted in May and June, 2007), the last market rate survey was completed in 2005. The results of the current survey will be used by OCCS to assess the need for adjustments in the state's child care support payments and as a planning tool for other programs and offices within the Alabama Department of Human Resources (or "DHR"). It will also provide information to the public concerning child care costs throughout the state, allowing the comparison of rates in different geographic locales, across various categories of child care providers, and for different age groups of children.

The following report presents the results of the Alabama Market Rate Survey for 2007. Following sections on the "survey design and research methodology" and "description of the survey participants," the major findings will be presented. State level findings will appear first, followed by data at the sub-state level (i.e., regions and rural-urban location). The final portion of the analysis will examine child care costs of family and group day care homes combined versus all other licensed day care centers and exempt church-affiliated day care centers vis-à-vis all licensed day care centers. The report ends with a section entitled "summary and conclusions."

II. Survey Design and Methodology

A one-page questionnaire was developed by the Office of Child Care Subsidy (located in the Child Care Services Division of the Alabama Department of Human Resources) for use in collecting 2007 market rate data from the state's 3,400 child care providers (see the Appendix A on page 29 for a copy of the survey form). Essentially the same questionnaire had been used in the last market survey (conducted in 2005); hence, pretesting of the data collection instrument was limited to internal review by the Child Subsidy staff and the survey consultants. The questionnaire was designed to supply all information that was critical to evaluating the current cost of child care across the state for various categories of providers, but to be short enough that it would not seriously impact on the time constraints or patience of those completing the questionnaires.

Among other questions, questionnaire respondents were asked to indicate the type of child care facility that they operated (day care center, family day care home, group day care home, etc.) *and* the weekly or monthly charge for their child care services. "Types of child care facilities" were further classified into "licensed" and "exempt" facilities. Also, providers were asked to supply child care charges according to age groups served (i.e., birth to 2½ years, 2½ years to 5 years, and school age). In instances where monthly child care costs were reported, they were converted to weekly costs using 4.333 as the factor. Where stated child care costs were exceptionally low (i.e., below \$50 per week), they were deleted from the analysis. There were only a few instances in which charges were below this threshold, apparently involving either heavily subsidized providers and/or facilities that operated part-time only. In addition, where weekly or monthly charges were reported in the form of a range (e.g., from \$100-\$125 per week), the higher value in the range was entered as the weekly or monthly rate.

In addition to identifying information (such as name of the facility and address), respondents were asked to supply the name of the Alabama county in which the facility was located. Because of the limited number of child care facilities in many Alabama counties, combined with the questionnaire response rate, it was not feasible to report child care cost data individually for all 67 counties. Thus, county-level information was aggregated into "child care management regions" (of which there are nine in Alabama) for detailed analysis and evaluation.

The Office of Child Care Subsidy maintains a resource and referral database of family and group day care homes and other (non-faith based) centers in Alabama that are exempt from licensure. In addition, the Office of Child Care Licensing maintains a database of licensed and church exempt centers. A combined mailing list of all facilities appearing in these resources was prepared and a copy of the 2007 market rate survey was mailed to the operator of each facility on May 15, 2007. The questionnaire was accompanied by a return envelop that was self-addressed and stamped, along with a letter from the Commissioner of the Alabama Department of Human Resources stating the purpose of the survey and the importance of a timely response. The original deadline for returning the survey form was June 8, 2007, but completed questionnaires were accepted through June 22. Due to time constraints and the expense of additional mailings, follow-up reminders concerning the return of the questionnaire took the form of announcements on the DHR website and in DHR newsletters. In addition, DHR's Child Care Management and Quality Enhancement agencies, along with its state and county licensing staffs, were asked to encourage providers to return the survey forms.

Of the 3,417 market survey forms that were mailed, 1,437 (or 42.1 percent) useable surveys were returned. The response rates varied from 48.4 percent for surveys mailed to licensed day care centers with 12 or more children to 32.4 percent for those sent to family day care homes. The response rate for exempt day care centers was 42.1 percent and 38.3 percent for group day care homes. Although a larger response rate is always desirable, no patterns were observed in the responses that would indicate the presence of significant bias. Data provided in the following section, for example, indicate broad participation in the survey across the state and among all categories of child care providers.

While the Office of Child Care Subsidy coordinated the development of the mailing list, the mailing of the questionnaires, and questionnaire collection, the Centers for Demographic Research and Government and Public Affairs (Auburn University Montgomery) were responsible for the compilation of the data, data analysis, and report preparation. Upon receipt of the completed questionnaires, a code key was developed and the resulting data were entered into an Excel spreadsheet. Coder checks were completed in order to ensure the accuracy of the data input and raw data were collapsed into new variables where appropriate. Following the completion of the data sanitizing/preparation process, the final database was exported into SPSS (Statistical Package for the Social Sciences) for analysis.

III. Description of the Survey Participants

Of the 1,437 facilities responding to the survey, the overwhelming majority (or 74.9 percent) was classified as “day care centers.” Within the “day center” category, 56.4 percent were licensed day care centers and 43.6 percent were exempt. Approximately half (or 47.5 percent) were for-profit centers and one-third (32.4 percent) were church-affiliated centers. These were followed by child care centers in educational facilities (10.1 percent) and “all other centers” (9.9 percent). Church-affiliated day care centers may either choose to be exempt from licensure or decide to be licensed. This decision is based largely on the size of the facility (larger facilities are more likely to be licensed than smaller ones) and how administrators wish to market their program. However, most church-affiliated programs choose to be “exempt.” Of the 349 church-affiliated centers responding to the survey, 85 percent were in the exempt category.

Approximately 16 percent of all facilities responding were “family day care homes,” with “group day care homes” comprising 9.5 percent. For DHR purposes, a “day care center” is defined as “a facility licensed by the Department, or otherwise legally authorized, which receives more than 12 children during the day or night.” A “family day care home,” on the other hand, is “an individual who is licensed by the Department to provide care as the sole caregiver in a private residence, other than the eligible child’s residence, for no more than six children during the day or night.” Finally, the Department defines a “group day care home” as “an individual licensed by the County Department to provide care in a private residence, other than the eligible child’s residence, for at least seven, but not more than 12, children during the day or night.

Of the 1,437 child care facilities that were surveyed, 1,165 indicated that they offered services for children below 2½ years of age. The number of facilities providing services was 1,250 for children aged 2½-5 years and 1,024 for school-age children. Unfortunately, the percentage of facilities offering services to the various age groups cannot be computed precisely because not all agencies reported their child care costs. Certainly, however, a high proportion of the responding facilities offer services to all three age groups of children.

Survey responses were received from facilities in all 67 of the state’s counties, ranging from one response each in sparsely-populated Choctaw and Wilcox counties to 230 responses from Jefferson County (by far, the most populous county in the state). The county-level data were collapsed into OCCS’s nine “child care management regions” (which range from 5 to 12 counties). The Birmingham region (at 20.3 percent of all respondents) was most highly represented, followed by Huntsville (15.0 percent), Montgomery (14.2 percent), and Mobile (13.3 percent). Responses from the Dothan, Ft. Payne, Tuscaloosa, and Talladega regions individually totaled about 8 percent of all responses, while the percentage for the Opelika region was 6.3. This pattern largely reflects the greater population bases that are associated with the Birmingham, Huntsville, Montgomery, and Mobile regions as opposed to the other regions of the state.

Licensed providers (totaling 67.4 percent of those responding) are much more highly represented in the study population than exempt providers (32.6 percent). However, there are over twice as many licensed facilities in the state as exempt facilities, plus facilities licensed by DHR may treat the receipt of a survey from the Department more seriously than their exempt counterparts (hence, be characterized by a higher response rate).

Nearly four-fifths (or 78.2 percent) of the survey respondents said that they received either full or partial reimbursement for child care costs through the DHR Child Care Subsidy Program. Of the respondents whose clients were receiving subsidies, 46.4 percent reported that at least half of the children they served were receiving a child care subsidy.

In summary, the number of responses (i.e., at 1,437) is large enough to provide relatively extensive analysis of the data, including cross-tabulations and the examination of substate data. All areas of the state (i.e., counties and regions) are represented in the study population, with no significant bias detected relative to those who chose to respond to the survey.

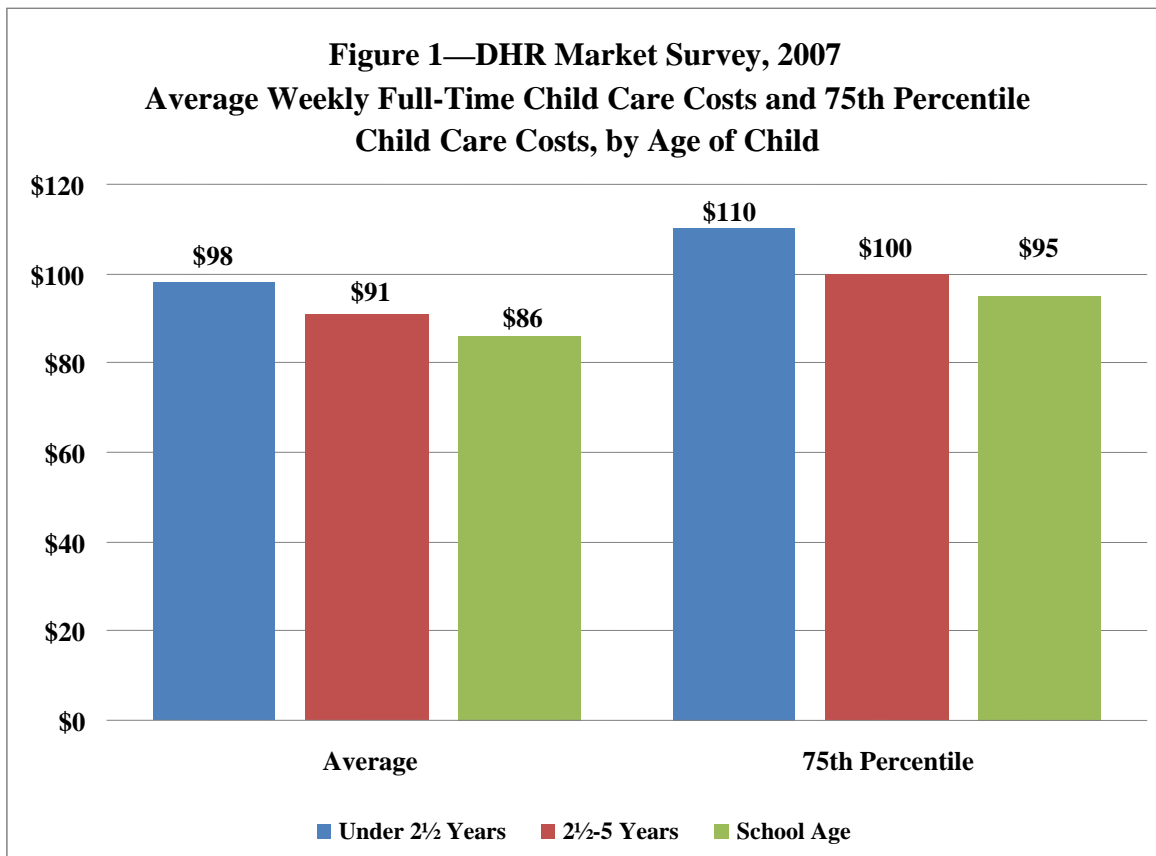
IV. Market Survey Results

Statewide Child Care Costs

1. All Child Care Facilities Combined

According to the 2007 market survey (see Figure 1 below), average full-time child care costs for all facilities combined in Alabama (i.e., day care centers, family day care homes, and group day care homes, whether licensed or exempt) were \$98 per week for children under 2½ years of age, \$91 per week for children aged 2½-5 years, and \$86 per week for children of school age. Thus, child care costs decline with the age of the child, with average full-time weekly costs for school-age children only about 88 percent of those for children under 2½ years of age.

In Alabama, the weekly child care cost at the 75th percentile for children under 2½ years of age was \$110, according to the 2007 market survey (Figure 1). This means that 75.0 percent of the state's child care facilities charged \$110 or less per week for child care for children under 2½ years, while 25.0 percent of the facilities charged more. The 75th percentile cost value was \$100 for children aged 2½-5 years and \$95 for children of school age.



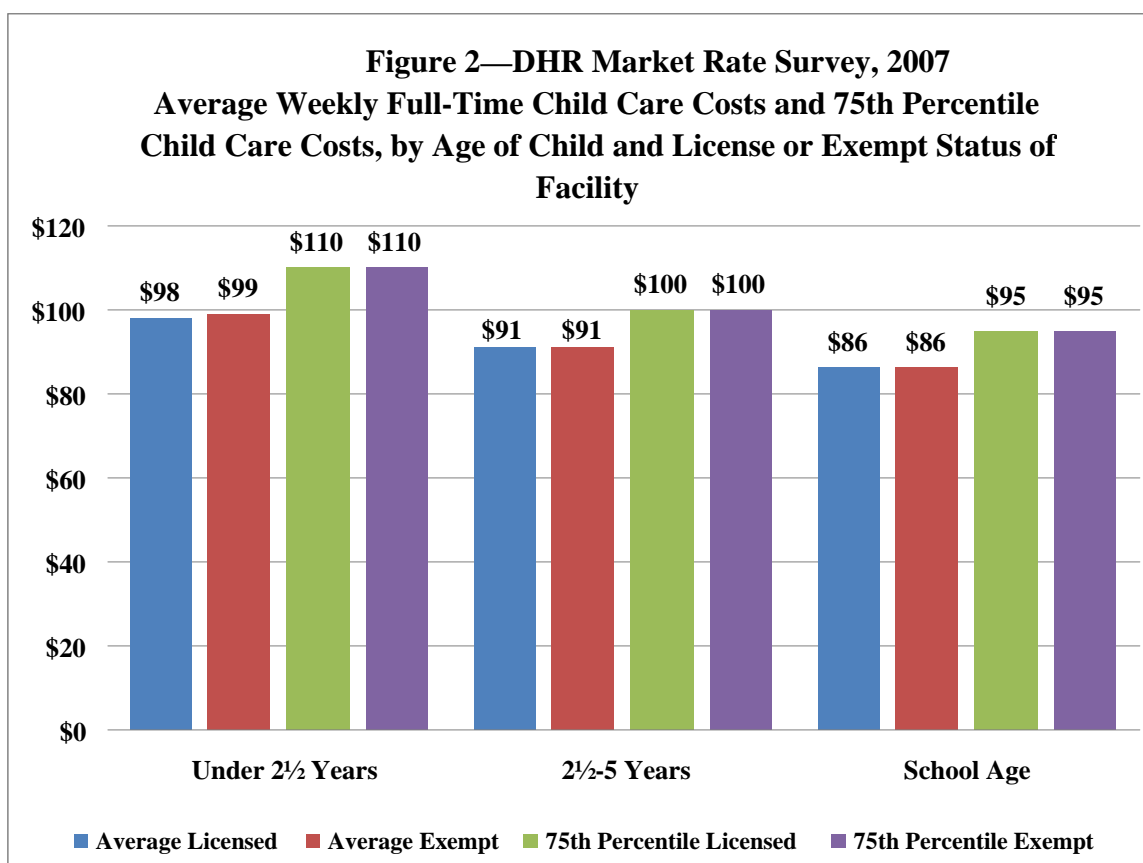
There will be a number of other references to “75th percentile rates” throughout the remainder of this report. While the federal Child Care Bureau suggests the 75th percentile as a benchmark

for states to consider for setting their child care subsidy reimbursement rates, there is no requirement that states reimburse at that rate.

2. Licensed Versus Exempt Facilities

To operate legally within the state, the Alabama Department of Human Resources requires that privately-owned day care centers, family day care homes, and group day care homes be licensed through the Department's Office of Child Care Licensing. Church-affiliated day care centers are exempt from licensure, but some church centers (as indicated earlier) prefer to operate as licensed centers. Other exempt child care centers include the Mother's Day Out Program, YMCA/YWCA programs, Boys and Girls Clubs, government-operated facilities (such as those maintained by the military), and educational facilities (operated in public and private schools, universities, etc.).

According to the latest market survey, weekly child care costs are basically the same whether the facility is licensed or exempt. Figure 2 (below) for example, indicates that the average weekly child care cost for children under 2½ years is \$98 for licensed facilities and \$99 for exempt facilities. On the other hand, there is no variation in average weekly costs between licensed and exempt facilities for children aged 2½-5 years and those of school age.



There is no variation, furthermore, in weekly child care costs at the 75th percentile for licensed versus exempt facilities (Figure 2). Thus, 75.0 percent of both licensed and exempt facilities charge \$110 or less per week for the care of children under 2½ years, \$100 or less for children aged 2½ to 5 years, and \$95 or less for children of school age.

3. Types of Child Care Facilities

While informative, the examination of aggregated data for all types of child care facilities, or even licensed versus exempt facilities, masks important differences that may exist in child care costs from one facility type to another. Certainly, child care facilities vary widely in Alabama in that some are structured as stand-alone, for-profit businesses, many are operated out of homes (varying in size by the number of children served), and a large number are affiliated with churches and other non-profit agencies. Do the settings within which child care is offered and the operational models on which they are based affect the cost of the services that are provided?

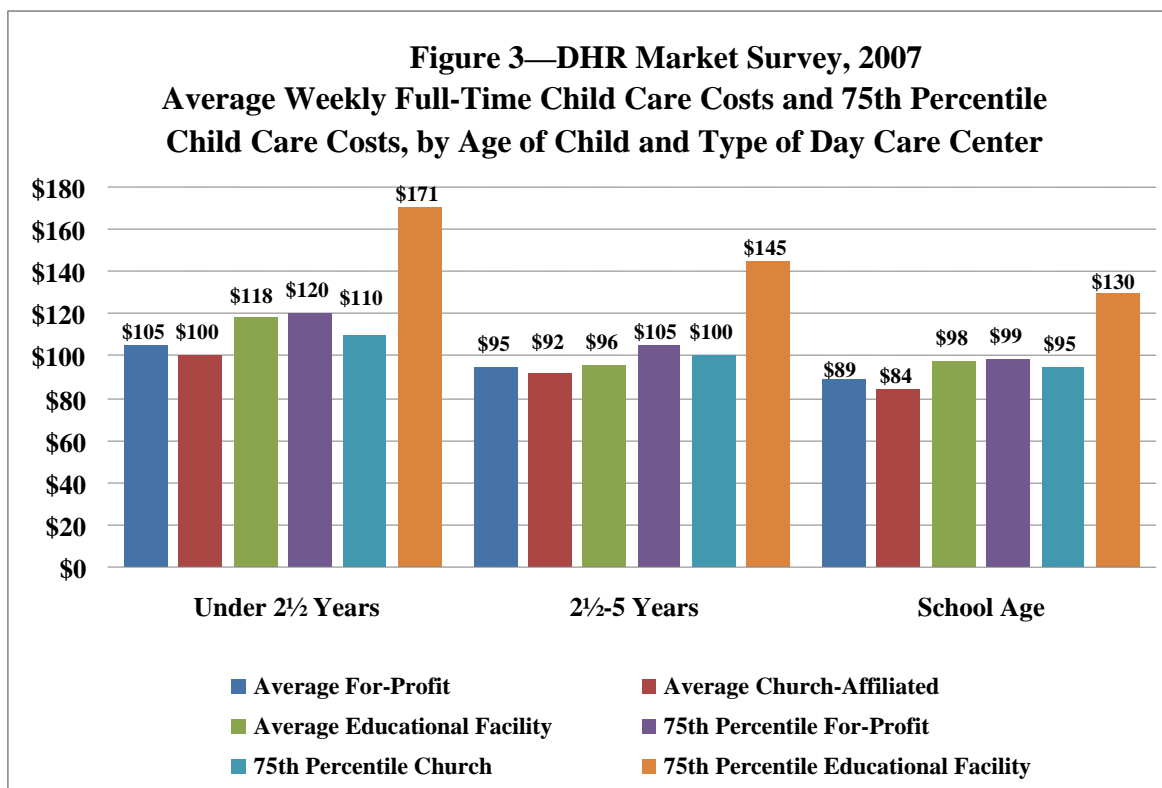
In examining this question, respondents to the 2007 market cost survey were subdivided into the three major child care categories: day care centers (facilities serving more than 12 children, including for-profit centers, churches, non-profit agencies, educational facilities, etc.); family day care homes (serving 6 children or fewer), and group day care homes (serving from 7 to 12 children). The data contained in Table 1 (below) indicate that child care costs vary significantly among these three categories. Thus, average weekly, full-time costs are several dollars more at all three age levels for children enrolled in day care centers as opposed to those receiving care in family day care homes and group day care homes. The lowest weekly child care fees are charged by group day care homes. Family day care homes, on average, charge more than group day care homes, but somewhat less than day care centers.

The “day care center” category is rather diverse in that it includes for-profit facilities, church-affiliated day care centers, non-profit agencies (e.g., Mother’s Day Out, YMCA/YWCA programs, and Boys and Girls Clubs), and educational facilities (among others). In order to further examine variations in child care costs by type of facility, a separate analysis was conducted using for-profit centers, church-affiliated centers, and educational facilities. Other types of child care facilities (such as YMCA/YWCA programs, the Mother’s Day Out Program, Boys and Girls Club programs, etc.) were not collectively represented in sufficient numbers to be included in the analysis.

Table 1—DHR Market Rate Survey, 2007
Average Weekly Full-Time Child Care Costs and 75th Percentile Child Care Costs,
by Age of Child and Type of Facility

	Weekly Full-Time Costs for Children Under 2½ Years	Weekly Full-Time Costs for Children Aged 2½-5 Years	Weekly Full-Time Costs for School Age Children
A. <u>Average Cost</u>			
Day Care Centers	\$103	\$94	\$88
Family Day Care Homes	\$89	\$86	\$81
Group Day Care Homes	\$84	\$81	\$78
B. <u>Cost at 75th Percentile</u>			
Day Care Centers	\$115	\$102	\$95
Family Day Care Homes	\$100	\$95	\$90
Group Day Care Homes	\$93	\$90	\$85

The data indicate that average weekly child care costs for full-time care are noticeably higher in facilities located within the educational sector (public and private schools, universities, etc.) than in either for-profit centers or church-affiliated day care centers (Figure 3 below). The cost differential between educational centers and other facilities is particularly great for child care services for children under 2½ years of age and for school-age children. While for-profit center costs are higher than those for church-affiliated centers at all three age levels, typically the differences are not nearly as great for these two categories as for educational facilities and churches/for-profit centers.



Note: The number of respondents from educational facilities reporting data for the under 2½ age group is 13; hence, data for this group should be viewed with caution.

Regional Child Care Costs

1. All Child Care Facilities Combined

Just as child care costs vary according to “type of facility,” one can also expect to encounter regional variations in the rates that are charged. These variations reflect differences in the socioeconomic status levels of the state’s population, competitive forces within the market place, and various other factors (such as the mix of facility types within a given region). Table 2 (found on page 15) presents data for OCCS’s nine child care management regions, including the

average market rates and the 75th percentile rates charged by all child care providers combined. As in other sections of the report, data are disaggregated according to the age of the child.

Table 2—DHR Market Rate Survey, 2007
Average Weekly Full-Time Child Care Costs and 75th Percentile Child Care Costs,
by Age of Child and Child Care Management Region

Child Care Management Region	Children Under 2½ Years	Children Aged 2½-5 Years	School Age Children
01 Huntsville			
Average Market Rate	\$106	\$97	\$91
75 th Percentile Market Rate	\$125	\$110	\$100
02 Mobile			
Average Market Rate	\$104	\$94	\$90
75 th Percentile Market Rate	\$115	\$104	\$100
03 Birmingham			
Average Market Rate	\$113	\$104	\$97
75 th Percentile Market Rate	\$125	\$115	\$110
04 Montgomery			
Average Market Rate	\$101	\$92	\$86
75 th Percentile Market Rate	\$120	\$100	\$95
05 Opelika			
Average Market Rate	\$90	\$86	\$82
75 th Percentile Market Rate	\$100	\$94	\$90
06 Tuscaloosa			
Average Market Rate	\$86	\$83	\$78
75 th Percentile Market Rate	\$95	\$95	\$90
07 Ft. Payne			
Average Market Rate	\$82	\$77	\$73
75 th Percentile Market Rate	\$90	\$85	\$80
08 Talladega			
Average Market Rate	\$81	\$77	\$74
75 th Percentile Market Rate	\$90	\$81	\$80
09 Dothan			
Average Market Rate	\$82	\$77	\$73
75 th Percentile Market Rate	\$90	\$85	\$80
Alabama (all regions)			
Average Market Rate	\$98	\$91	\$86
75 th Percentile Market Rate	\$110	\$100	\$95

The data indicate that child care costs are perceptively higher in the Huntsville, Mobile, Birmingham, and Montgomery regions than in the other regions of the state. Child care costs are typically highest in the Birmingham region, followed by the Huntsville region, Mobile region,

and Montgomery region. Of the other five child care management regions, rates are generally lowest in the Talladega region. The regions with the highest rates contain the state's largest cities, while those with lower rates reflect smaller cities and a more rural orientation.

Regional variations in child care costs can readily be observed when the range of costs is examined. Thus, the average market rate for children under 2½ years of age in the Birmingham region is \$32 more than the average rate for that age group in the Talladega region (or 40 percent higher). It is \$27 more for children aged 2½-5 years in the Birmingham region than in the Dothan, Ft. Payne, and Talladega regions, and \$24 more for school-age children in the Birmingham region than in the Dothan and Ft. Payne regions. Similar variations also emerge when 75th percentile rates are examined.

2. Family Day Care Homes, Group Day Care Homes, and Day Care Centers

Table 3 (found on page 17) provides detailed market rate data for all nine child care management regions and rural-urban location according to the type of facility (day care centers, family day care homes, and group day care homes). In addition, day care centers are further disaggregated by “exempt” and “licensed” facilities. In examining these data, users should note that the number of respondents as indicated in the table (see last line of information for each region) is very small for some categories (e.g., “exempt centers” in Region 4 and “group day centers” in Region 1). Caution should be exercised in making inferences from the data when the number of cases is limited.

Table 3 is presented for reference and informational purposes for those who desire more in-depth information concerning child cost data and current market rates at the substate level. Thus, a detailed analysis of this table will not be presented in the present report. Generally, however, this table suggests that regional variations in child care costs continue to hold irrespective of the age of the child and the types of facilities in which children are enrolled.

Regional data concerning current DHR subsidy levels (as of 10/1/2007) for the various age groups of children and types of child care facilities (i.e., day care centers, family day care homes, and group day care homes) are presented in Table 4 (found on page 21). An examination of the reimbursement rates listed in Table 4 reveals that the DHR reimbursement rate is now within \$15 or less of the market rate average in all nine child care management regions for all age groups of children and all categories of providers. While, in most instances, qualifying parents will be called upon to finance at least part of their child care costs because of the differential that exists between current DHR reimbursement levels and the rates charged by providers, the gap is narrowing.

Table 3—DHR Market Rate Survey, 2007
Average Weekly Full-Time Child Care Costs and Child Care Costs at the 75th Percentile for Child Care Centers,
Family Day Care Homes, and Group Day Care Homes, by Age of Child, License or Exempt Status of Center,
Child Care Management Region, and Rural-Urban Location of Facility

Child Care Management Region	Day Care Centers								
	All			Exempt Only			Licensed Only		
	Children Under 2½ Years	Children Aged 2½-5 Years	School Age Children	Children Under 2½ Years	Children Aged 2½-5 Years	School Age Children	Children Under 2½ Years	Children Aged 2½-5 Years	School Age Children
01 Huntsville									
Average Market Rate	\$106	\$96	\$91	\$101	\$91	\$87	\$109	\$98	\$92
75 th Percentile Market Rate	\$125	\$106	\$96	\$118	\$100	\$86	\$125	\$110	\$100
Number Responding	135	153	113	37	50	34	98	103	79
02 Mobile									
Average Market Rate	\$109	\$97	\$92	\$98	\$89	\$82	\$116	\$103	\$97
75 th Percentile Market Rate	\$125	\$109	\$100	\$110	\$100	\$92	\$131	\$120	\$110
Number Responding	116	127	101	48	56	36	68	71	65
03 Birmingham									
Average Market Rate	\$116	\$107	\$98	\$108	\$99	\$95	\$122	\$113	\$102
75 th Percentile Market Rate	\$125	\$115	\$110	\$115	\$110	\$110	\$140	\$120	\$115
Number Responding	169	182	165	72	79	85	97	103	80
04 Montgomery									
Average Market Rate	\$110	\$96	\$89	\$107	\$97	\$90	\$111	\$96	\$89
75 th Percentile Market Rate	\$125	\$110	\$95	\$124	\$110	\$98	\$127	\$110	\$95
Number Responding	95	102	79	24	27	13	71	75	66
05 Opelika									
Average Market Rate	\$97	\$91	\$86	\$99	\$99	\$81	\$97	\$89	\$87
75 th Percentile Market Rate	\$110	\$100	\$91	\$112	\$110	\$92	\$110	\$95	\$92
Number Responding	45	52	41	8	9	6	37	43	35
06 Tuscaloosa									
Average Market Rate	\$94	\$90	\$83	\$95	\$89	\$78	\$93	\$90	\$86
75 th Percentile Market Rate	\$102	\$99	\$95	\$103	\$100	\$93	\$101	\$95	\$95
Number Responding	50	53	35	20	22	13	30	31	22

Table 3--Continued

Child Care Management Region	Day Care Centers								
	All			Exempt Only			Licensed Only		
	Children Under 2½ Years	Children Aged 2½- 5 Years	School Age Children	Children Under 2½ Years	Children Aged 2½- 5 Years	School Age Children	Children Under 2½ Years	Children Aged 2½- 5 Years	School Age Children
07 Fort Payne									
Average Market Rate	\$86	\$80	\$74	\$90	\$81	\$72	\$84	\$80	\$75
75 th Percentile Market Rate	\$97	\$90	\$80	\$100	\$90	\$80	\$90	\$85	\$84
Number Responding	59	62	52	20	20	16	39	42	36
08 Talladega									
Average Market Rate	\$83	\$79	\$76	\$85	\$81	\$78	\$82	\$78	\$75
75 th Percentile Market Rate	\$90	\$85	\$80	\$95	\$90	\$80	\$90	\$83	\$80
Number Responding	59	61	43	27	28	17	32	33	26
09 Dothan									
Average Market Rate	\$85	\$79	\$74	\$87	\$82	\$75	\$85	\$77	\$73
75 th Percentile Market Rate	\$95	\$86	\$82	\$95	\$88	\$86	\$93	\$85	\$80
Number Responding	63	72	56	18	24	17	45	48	39
Statewide									
Average Market Rate	\$103	\$94	\$88	\$99	\$91	\$86	\$105	\$96	\$89
75 th Percentile Market Rate	\$115	\$102	\$95	\$110	\$100	\$95	\$120	\$105	\$98
Number Responding	792	865	686	275	316	238	517	549	448
Urban Counties									
Average Market Rate	\$110	\$100	\$93	\$104	\$95	\$90	\$113	\$102	\$94
75 th Percentile Market Rate	\$125	\$110	\$100	\$115	\$105	\$95	\$125	\$115	\$100
Number Responding	533	581	470	190	215	175	343	366	295
Rural Counties									
Average Market Rate	\$89	\$83	\$79	\$88	\$82	\$76	\$90	\$83	\$80
75 th Percentile Market Rate	\$95	\$88	\$85	\$100	\$90	\$85	\$95	\$85	\$85
Number Responding	258	283	215	84	100	62	174	183	153

Table 3--Continued

Child Care Management Region	Day Care Homes					
	Children Under 2½ Years	Family Children Aged 2½-5 Years	School Age Children	Children Under 2½ Years	Group Children Aged 2½-5 Years	School Age Children
01 Huntsville						
Average Market Rate	\$106	\$101	\$93	\$108	\$101	\$90
75 th Percentile Market Rate	\$120	\$110	\$100	\$125	\$110	\$103
Number Responding	40	41	29	11	11	9
02 Mobile						
Average Market Rate	\$93	\$88	\$85	\$87	\$85	\$84
75 th Percentile Market Rate	\$100	\$95	\$95	\$100	\$93	\$90
Number Responding	33	33	30	13	14	11
03 Birmingham						
Average Market Rate	\$100	\$93	\$88	\$105	\$94	\$90
75 th Percentile Market Rate	\$115	\$100	\$100	\$125	\$101	\$100
Number Responding	23	22	14	22	22	18
04 Montgomery						
Average Market Rate	\$89	\$87	\$81	\$81	\$81	\$79
75 th Percentile Market Rate	\$100	\$95	\$90	\$90	\$85	\$85
Number Responding	50	50	38	15	15	13
05 Opelika						
Average Market Rate	\$83	\$81	\$79	\$77	\$75	\$73
75 th Percentile Market Rate	\$86	\$85	\$85	\$80	\$75	\$75
Number Responding	10	10	9	21	22	19
06 Tuscaloosa						
Average Market Rate	\$76	\$76	\$74	\$72	\$71	\$70
75 th Percentile Market Rate	\$80	\$80	\$80	\$79	\$75	\$75
Number Responding	21	21	19	16	17	11

Table 3--Continued

Child Care Management Region	Day Care Homes					
	Children Under 2½ Years	Family Children Aged 2½-5 Years	School Age Children	Children Under 2½ Years	Group Children Aged 2½-5 Years	School Age Children
07 Fort Payne						
Average Market Rate	\$72	\$68	\$66	\$73	\$70	\$70
75 th Percentile Market Rate	\$75	\$71	\$70	\$80	\$75	\$71
Number Responding	10	10	8	11	11	10
08 Talladega						
Average Market Rate	\$75	\$72	\$67	\$75	\$74	\$74
75 th Percentile Market Rate	\$80	\$75	\$71	\$84	\$83	\$84
Number Responding	16	16	14	12	13	12
09 Dothan						
Average Market Rate	\$74	\$73	\$69	\$74	\$71	\$70
75 th Percentile Market Rate	\$84	\$80	\$80	\$80	\$80	\$80
Number Responding	16	17	14	12	12	11
Statewide						
Average Market Rate	\$89	\$86	\$81	\$84	\$81	\$78
75 th Percentile Market Rate	\$100	\$95	\$90	\$93	\$90	\$85
Number Responding	219	220	175	133	137	114
Urban Counties						
Average Market Rate	\$94	\$90	\$83	\$99	\$92	\$87
75 th Percentile Market Rate	\$105	\$100	\$95	\$120	\$100	\$100
Number Responding	148	148	113	52	53	44
Rural Counties						
Average Market Rate	\$79	\$77	\$76	\$75	\$74	\$72
75 th Percentile Market Rate	\$85	\$85	\$80	\$80	\$79	\$76
Number Responding	71	72	62	81	84	70

Note: For several of the child care regions and categories reported in this table, the number of facilities responding to the survey is small (e.g., “exempt centers” in Region 4, “group day care homes” in Region 1, and several others). In instances where the number of responses is small (especially less than 30), caution should be utilized in making inferences from the data.

Table 4—DHR Market Rate Survey, 2007
Seventy-Fifth Percentile Market Rates, Average Market Rates, and DHR Reimbursement Rates for Weekly Full-Time Child Care
for Day Care Centers, Family Day Care Homes, and Group Day Care Homes, by Child Care Management Region

Child Care Management Region	Day Care Centers			Family Day Care Homes			Group Day Care Homes		
	Children Under 2½ Years	Children Aged 2½-5 Years	School Age Children	Children Under 2½ Years	Children Aged 2½-5 Years	School Age Children	Children Under 2½ Years	Children Aged 2½-5 Years	School Age Children
01 Huntsville									
75 th Percentile Market Rate	\$125	\$105	\$95	\$120	\$110	\$100	\$123	\$110	\$100
Average Market Rate	\$106	\$96	\$91	\$106	\$101	\$93	\$108	\$101	\$90
DHR Reimbursement Rate 10/01/07	\$93	\$84	\$77	\$91	\$86	\$78	\$93	\$86	\$75
02 Mobile									
75 th Percentile Market Rate	\$125	\$109	\$100	\$100	\$95	\$95	\$100	\$90	\$90
Average Market Rate	\$109	\$97	\$92	\$93	\$88	\$85	\$87	\$85	\$84
DHR Reimbursement Rate 10/01/07	\$94	\$82	\$80	\$78	\$77	\$73	\$76	\$73	\$72
03 Birmingham									
75 th Percentile Market Rate	\$125	\$115	\$110	\$113	\$100	\$99	\$125	\$100	\$100
Average Market Rate	\$116	\$106	\$98	\$100	\$93	\$88	\$105	\$94	\$90
DHR Reimbursement Rate 10/01/07	\$105	\$99	\$83	\$85	\$78	\$75	\$90	\$79	\$79
04 Montgomery									
75 th Percentile Market Rate	\$125	\$110	\$95	\$100	\$95	\$89	\$88	\$85	\$85
Average Market Rate	\$110	\$96	\$89	\$89	\$87	\$81	\$81	\$81	\$79
DHR Reimbursement Rate 10/01/07	\$95	\$83	\$79	\$74	\$72	\$66	\$69	\$69	\$64
05 Opelika									
75 th Percentile Market Rate	\$110	\$100	\$90	\$85	\$85	\$85	\$80	\$75	\$75
Average Market Rate	\$97	\$91	\$86	\$83	\$81	\$79	\$77	\$75	\$73
DHR Reimbursement Rate 10/01/07	\$82	\$76	\$72	\$70	\$70	\$65	\$64	\$64	\$61
06 Tuscaloosa									
75 th Percentile Market Rate	\$101	\$98	\$95	\$80	\$80	\$80	\$76	\$75	\$75
Average Market Rate	\$94	\$90	\$83	\$76	\$76	\$74	\$72	\$71	\$70
DHR Reimbursement Rate 10/01/07	\$79	\$77	\$74	\$66	\$63	\$63	\$64	\$63	\$63

Table 4--Continued

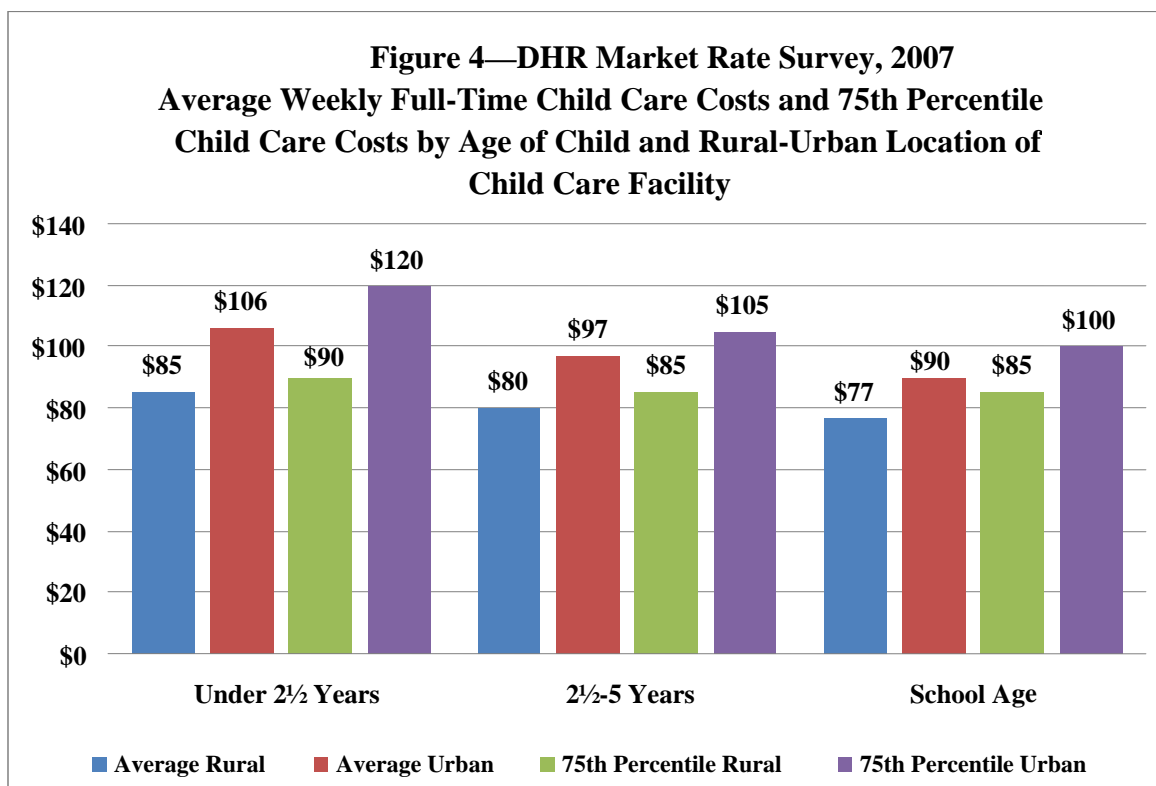
Child Care Management Region	Day Care Centers			Family Day Care Homes			Group Day Care Homes		
	Children Under 2½ Years	Children Aged 2½-5 Years	School Age Children	Children Under 2½ Years	Children Aged 2½-5 Years	School Age Children	Children Under 2½ Years	Children Aged 2½-5 Years	School Age Children
07 Fort Payne									
75 th Percentile Market Rate	\$96	\$89	\$80	\$74	\$70	\$70	\$78	\$73	\$70
Average Market Rate	\$86	\$80	\$74	\$72	\$68	\$66	\$73	\$70	\$70
DHR Reimbursement Rate 10/01/07	\$72	\$69	\$65	\$63	\$60	\$60	\$67	\$65	\$64
08 Talladega									
75 th Percentile Market Rate	\$90	\$85	\$80	\$80	\$75	\$70	\$81	\$80	\$81
Average Market Rate	\$83	\$79	\$76	\$75	\$72	\$67	\$75	\$74	\$74
DHR Reimbursement Rate 10/01/07	\$73	\$70	\$70	\$63	\$60	\$59	\$67	\$65	\$65
09 Dothan									
75 th Percentile Market Rate	\$94	\$85	\$81	\$81	\$80	\$80	\$80	\$80	\$80
Average Market Rate	\$85	\$79	\$74	\$74	\$73	\$69	\$74	\$71	\$70
DHR Reimbursement Rate 10/01/07	\$75	\$73	\$69	\$64	\$63	\$61	\$63	\$63	\$65

Note: In some instances, the 75th percentile values reported in this table differ slightly from those reported in Table 3. This results from using different statistical applications (mandated by data requirements) in producing the calculations.

Rural-Urban Variations in Child Care Costs

1. All Child Care Facilities Combined

Another potential source of variation in child care costs traces to whether the provider is located in a rural area as opposed to an urban locale. Again, socioeconomic influences and the “ability to pay” might be expected to play a larger role in rural areas than in urban communities. For purposes of the analysis, Alabama counties were classified as either “rural” or “urban” based on data from the 2000 census. “Urban County” was operationally defined as one wherein the urban population (using the Census Bureau definition) was 50.0 percent or more. Conversely, a “Rural County” was defined as one wherein the population classified as “urban” was less than 50.0 percent. Generally speaking, the Census Bureau defines the population residing in places of 2,500 or more as “urban.”



The data in Figure 4 (above) indicate that the average weekly cost of child care is significantly lower for all three age categories in rural counties than in urban counties. The rural-urban differential for full-time weekly care for all facilities combined ranges from \$13 for school-age children to \$21 for children under 2½ years of age. A similar pattern emerges when rates at the 75th percentile are examined, although the rural-urban differences are a bit more pronounced on this measure than for the average. Thus, there appears to be no doubt that child care costs are less in rural Alabama than in the urban areas of the state.

2. Family Day Care Homes, Group Day Care Homes, and Day Care Centers

In addition to detailed data for child care management regions, Table 3 (page 17) also provides more extensive market rate data according to the rural-urban location of the facility. Specifically, data are reported separately for day care centers, family day care homes, and group day care homes. It can be readily seen (using “average cost” as the indicator) that child care charges in rural counties for each of the individual age groups and each type of facility are significantly lower than those in urban counties.

Other Child Care Cost Data

1. Family and Group Day Care Homes Combined Versus Other Licensed Child Care Facilities

Family and group day care facilities share a basic similarity in that child care services are based in homes as opposed to stand-alone places of business. In addition, only a small number of children (12 at the most) can be served legally in these facilities, whereas day care centers are allowed to enroll much larger numbers. Home-based services are typically characterized by different business and operational models than their day care center counterparts.

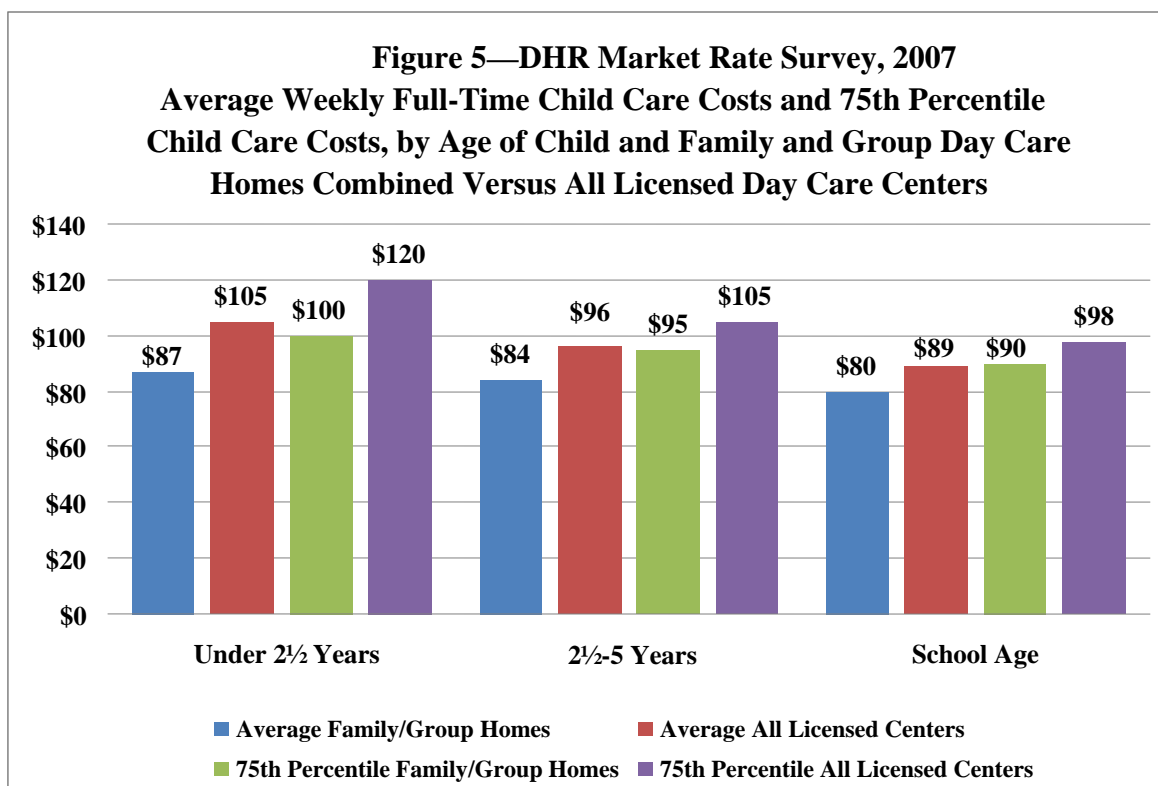
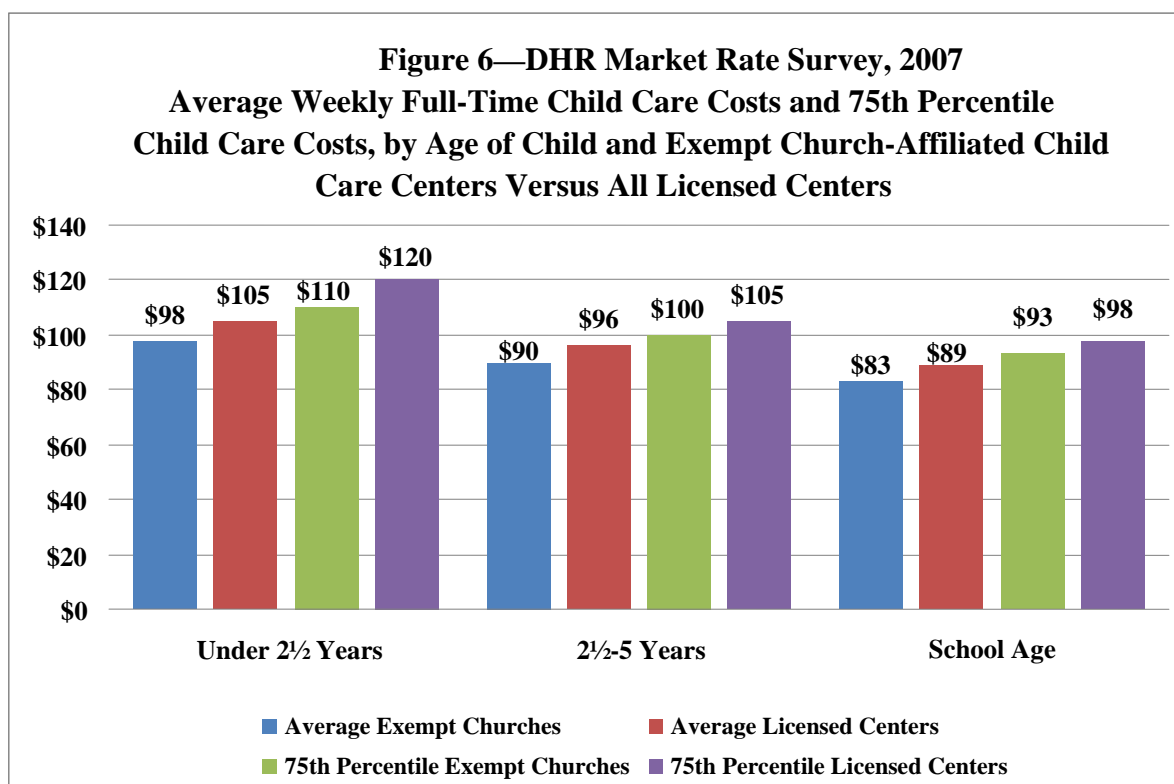


Figure 5 (above) presents child care cost data for all family and group day care homes combined versus all licensed day care centers (including church-affiliated centers that are licensed). The market rate data indicate that full-time child care costs are lower for all age groups

in family and group day care homes than in licensed day care centers. Thus, average weekly costs are \$18 less for home-based care than licensed centers for children under 2½ years of age, \$12 less for children aged 2½-5 years, and \$9 less for school-age children. This same pattern also emerges when child care costs at the 75th percentile are analyzed.

2. Exempt Church-Affiliated Child Care Centers versus All Licensed Child Care Centers

The child care cost data for churches that are exempt from licensure versus all licensed child care centers (including churches that choose to be licensed) are presented in Figure 6 (below). The data indicate that average weekly child care costs are slightly higher for all three age groups of children in licensed centers than those enrolled in exempt churches. Thus, the average weekly cost for fulltime care ranges from \$6-\$7 higher (depending on the age group) for licensed centers as opposed to exempt churches. Similar variations are observed when child care costs at the 75th percentile are examined.



V. Summary and Conclusions

This report has presented the major findings from the 2007 market rate survey of child care providers conducted by the Office of Child Care Subsidy, Alabama Department of Human Resources. These findings are based on responses to a one-page market survey questionnaire that was mailed to all known child care providers across the state, including both licensed and exempt facilities, day care centers, family day care homes, and group day care homes. Of the 3,417 questionnaires that were mailed, 1,437 usable surveys were returned, yielding a response rate of 42.1 percent.

Survey responses were received from all of the state's 67 counties and from all nine of the child care management regions that are administered by the Office of Child Care Subsidy. Of the facilities that responded, 75 percent were classified as "day care centers," 16 percent as "family day care homes," and 9.5 percent as "group day care homes." Of the 1,437 providers who responded to the survey, 1,165 indicated that they offered services to children under 2½ years of age. The number of facilities providing services to children aged 2½-5 years was 1,250, while 1,024 providers offered services to school-age children. Licensed providers totaled 67 percent of all respondents, with exempt facilities comprising 33 percent of the sample. An examination of the survey response patterns did not indicate any identifiable areas of bias regarding those who returned questionnaires as opposed to those who did not.

The survey results indicate that the average full-time weekly cost (all facilities combined) for children under 2½ years of age in Alabama is currently \$98. The average weekly cost is slightly lower for children aged 2½-5 years (\$91) and marginally lower still (\$86) for school-age children. There is essentially no difference in the rates charged by exempt providers as opposed to licensed facilities, according to the survey.

However, child care costs do vary by the type of provider, with day care centers characterized by the highest average weekly fees, followed by family day care homes, and group day care homes. Additional analysis also revealed that average weekly costs are lower for all day care homes combined (i.e., family day care homes and group day care homes together) than for all other licensed facilities. Fees are also slightly lower for church-affiliated day care centers that have chosen to be exempt from licensure than those charged by licensed day care centers.

Child care costs also vary by region of the state and rural-urban location. The results indicate that average weekly fees are higher in the Huntsville, Mobile, Birmingham, and Montgomery child care management regions than the other five regions (Opelika, Dothan, Ft. Payne, Tuscaloosa, and Talladega), irrespective of the age category of the children who are served or the type of provider. Average weekly costs for children under 2½ years in Birmingham, for example, are 40 percent (or \$32) higher than the average weekly rate in the Talladega region.

Similar variations in child care costs emerge relative to "rural-urban" location of the provider. Thus, average weekly child care costs are perceptively lower for all age categories of children in the state's rural counties as opposed to those that are predominantly urban. This same pattern also holds irrespective of the type of day care facility (i.e., day care center, family day care home, or group day care home).

In examining DHR reimbursement rates for qualifying, low-income families vis-à-vis prevailing market rates, the data reveal that DHR rates are now within \$15 or less of the market rate average in all nine of the state's child care management regions for all age categories of

children and for all types of providers (i.e., day care centers, family day care homes, and group day care homes). While, in most instances, DHR subsidies do not cover the full cost of child care for qualifying families, current rates (effective 10/1/2007) are now close to the market average.

The results of 2007 DHR Market Rate Survey will be used by the Office of Child Care Subsidy in assessing child-care subsidy rates and for policy review and program planning activities within OCCS. Likewise, it will be utilized by other offices within DHR, as well as other public and private entities across the state, to evaluate the status of child care delivery policy for the low-income. In that this report will also be made available to child care consumers, it provides information regarding what one can expect to pay for child care in the current market context, as well as variations in the cost of child care according to such factors as location and type of facility. The goal of OCCS is to provide financial support to qualifying low-income families who wish to work but who cannot afford the full cost of child care. The results of 2007 Market Rate Survey will provide direction in achieving that goal.

Appendix A - Child Care Market Rate Survey Questionnaire

Alabama Department of Human Resources

CHILD CARE MARKET RATE SURVEY

May 15, 2007

Please print clearly in ink.

Name of Center or Home _____

Address of Center or Home _____

City _____

Zip _____ County _____

Telephone Number for Center or Home _____

Email Address _____

1. Check the appropriate category for your child care program. *Check one category only.***Licensed Facilities****Exempt Facilities**

____ (1) Day Care Center

____ (7) Church Affiliated Day Care Center

____ (2) Church Affiliated Day Care Center

____ (8) Mother's Day Out Program

____ (3) Family Day Care Home

____ (9) YWCA/YMCA

____ (4) Group Day Care Home

____ (10) Boys and Girls Club

____ (5) Tribally-licensed Centers

____ (11) Governmental Facility (Military)

____ (6) Other _____

____ (12) Educational Facility (Public or Private School)

____ (13) Other _____

2. Indicate *either* the **weekly or monthly rate** (whichever is applicable) you **publish and charge** the general **public** for child care based on the following age groups. **NOTE:** The full time rate for school age and older refers to the rate charged for full week care provided during summer and school holidays.

Age Group	Full-Time Weekly Rate	or	Full-Time Monthly Rate
a) Birth up to 2 ½ years	\$ _____		\$ _____
b) 2 ½ years up to 5 year	\$ _____		\$ _____
c) School age and older	\$ _____		\$ _____

3.a. Do you serve children whose fees are paid **fully or partially** through the Child Care Subsidy Program?

Yes _____ No _____

3.b. If you answered yes to question 3a, are fees for at least half (50%) of the children you currently serve being paid **fully or partially** through the Child Care Subsidy Program? Yes _____ No _____

Signature of person completing survey _____

Print Name _____

Thank you for completing this survey!

Return this survey in the enclosed stamped envelope by June 8, 2007.

If you have any questions regarding the survey, please call Maria Dacus or Clementine McGinnis at (334) 242-1425, Alabama Department of Human Resources, Child Care Services Division.

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Senior Director
Center for Government and Public Affairs



AUBURN

MONTGOMERY

Montgomery, AL

October 2007